

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
Parcel Select Contract 2 (MC2012-16)  
Negotiated Service Agreements

Docket No. CP2012-23

PUBLIC REPRESENTATIVE COMMENTS ON  
USPS NOTICE OF CHANGE IN PRICES PURSUANT TO AMENDMENT  
TO PARCEL SELECT CONTRACT 2  
(December 1, 2017)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to the Commission's notice initiating these dockets.<sup>1</sup> In this notice, the Commission established the above referenced docket to consider matters from interested persons, including the undersigned Public Representative, on the Postal Service's intent to amend Parcel Select Contract 2.<sup>2</sup> The Notice filed by the Postal Service included redacted copies of the amendment (Amendment) and a Certification of Compliance with 39 U.S.C. § 3633 (Certification) as attachments and was filed along with supporting financial documentation which were filed separately as Excel files. The Postal Service also filed unredacted versions of these documents separately under seal.

In Order No. 1349, the Commission previously approved the Parcel Select Contract 2 negotiated service agreement (Original Agreement).<sup>3</sup> On March 18, 2014, the Postal Service filed notice to amend the Original Agreement.<sup>4</sup> In Order No. 2033, the Commission approved this amendment.<sup>5</sup> On July 29, 2014, the Postal Service filed

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<sup>1</sup> Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, November 27, 2017.

<sup>2</sup> USPS Notice of Change in Prices Pursuant to Amendment to Parcel Select Contract 2, November 22, 2017 (Notice).

<sup>3</sup> See Docket Nos. MC2012-16 and CP2012-23, Order Adding Parcel Select Contract 2 to the Competitive Product List, May 22, 2012 (Order No. 1349).

<sup>4</sup> Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Parcel Select Contract 2, March 18, 2014.

<sup>5</sup> Order No. 2033, Order Approving Amendment to Parcel Select Contract 2 Negotiated Service Agreement, March 27, 2014 (Order No. 2033).

notice of filing a second amendment to the Original Agreement.<sup>6</sup> In Order No. 2146, the Commission approved this second amendment.<sup>7</sup>

The Amendment filed with this Notice replaces Sections I.B and I.C of the Original Agreement in their entirety, replaces tables in Sections I.E.3-4, and removes Sections I.E.5-6. The Amendment would modify the contract to offer separate prices and terms for “Standard” and “Alternate” DDU and DSCF 5-Digit pieces. Amendment at 1-2. The Postal Service states that the Amendment will become effective two business days after the day that the Commission completes its review of this filing. Notice at 1.

## II. COMMENTS

After reviewing the Postal Service’s Notice and the Amendment, Certification of Compliance, and the supporting financial documentation that were filed under seal, the Public Representative finds that the amended Parcel Select Contract 2 should generate sufficient revenue to cover costs and satisfy the requirements of 39 U.S.C. § 3633(a).

*Requirements of 39 U.S.C. § 3633.* Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that competitive product prices (1) do not result in market dominant products subsidizing competitive products, (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an appropriate share of the institutional costs of the Postal Service. The Postal Service asserts that the amended agreement will continue to comply with these requirements. Certification at 1.

Based upon a review of the supporting financial documentation filed under seal by the Postal Service, the Public Representative concludes that the prices offered under the amended contract should generate sufficient revenue to cover costs in the year following the effective date of the Amendment. The Postal Service provides no evidence that Parcel Select Contract 2 will cover its costs past the aforementioned period until the expiration of the contract.<sup>8</sup> However, the annual adjustments provided

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<sup>6</sup> Notice of United States Postal Service of Filing Second Amendment to Parcel Select Contract 2, July 29, 2014.

<sup>7</sup> Order No. 2146, Order Approving Amendment to Parcel Select Negotiated Service Agreement, August 8, 2014 (Order No. 2146).

<sup>8</sup> Unless terminated as described in Section III of the Original Agreement, Parcel Select Contract 2 will remain in effect until May 31, 2019. Original Agreement at 6.

in Section I.F of the Original Agreement should facilitate continued cost coverage until the contract is terminated. The Commission will also have opportunities to review Parcel Select Contract 2 during its Annual Compliance Determination.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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